Customer (KYC) requirement for making payment to the beneficiaries, reporting of transactions under the Prevention of Money Laundering Act, 2002 and extant Reserve Bank of India (RBI) guidelines and enactment of Payment and Settlement Act, 2007.

NPAs of public sector banks

1832. SHRI M.P. ACHUTAN:
SHRI D. RAJA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Non-Performing Assets (NPAs) of the Public Sector Banks have gone up recently after the global economic slow down started; and

(b) if so, the details thereof and Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) and (b) The amount of Gross non-performing assets (NPAs) of Public Sector Banks (PSBs) have slightly increased from Rs. 39,749 crore as on 31st March, 2008 to Rs. 43,676 crore as on 31st March, 2009. However, the Gross NPAs to Gross Advances ratio and Net NPAs to Net Advances ratio of these banks have declined from 2.3% to 2.08% and 1.08% to 0.99%, respectively, between March, 2008 and March, 2009. The Government is ensuring that the targets of Gross NPAs, set by the PSBs in their 'Statement of Intent on Annual Goals' for 2009-10, are such that they strive to contain the level of their Gross NPAs within acceptable limits.

Cases reported to Fraud Monitoring Cell

1833. SHRI T.K. RANGARAJAN: Will the Minister of FINANCE be pleased to state:

(a) how many cases of fraud involving the Scheduled Commercial Banks have so far been reported to the Fraud Monitoring Cell of the Reserve Bank of India for the period April, 2005 to March, 2008; and

(b) what is the action taken by the Fraud Monitoring Cell in such cases and the results thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) Reserve Bank of India (RBI) has reported that the total number of cases of frauds and amounts involved as reported by the Scheduled Commercial Banks to RBI during three financial years (2005-2008) are as under:

(Amt. in Crore)

April 2005 to March 2006		April 2006 to March 2007		April 2007 to March 2008	
No. of Cases	Amount	No. of Cases	Amount	No. of Cases	Amount
13919	1380.80	23618	1193.96	21245	1058.12

(b) On receipt of fraud report from banks, RBI advises the concerned banks to report the case to CBI/Police/SFIO, examine staff accountability and complete proceedings against the erring staff expeditiously, take steps to recover the amount involved in the fraud, claim insurance wherever applicable and streamline the system and procedures so that frauds do not recur.

RBI as a part of its supervisory process has taken following measures to prevent/reduce the incidence of frauds:

(i) To sensitize banks from time to time about common fraud prone areas through issuance *modus operandi* on various types of frauds and the measures to be taken by them.

(ii) By issuance of Caution Advice to banks to exercise due diligence while sanctioning fresh loan facilities to the borrowers in the Caution Advice.

(iii) Advice banks to:

  (a) Introduce a system of concurrent audit.

  (b) Review working of internal inspection and audit machinery in banks by the Audit Committee of the Board of Directors.

  (c) Constitute a Special Committee of the Board exclusively for monitoring frauds of Rs. 1 crore and above.

  (d) Examine staff accountability and institute disciplinary action expeditiously against the staff involved in frauds.

(iv) On the basis of recommendations made by the Mitra Committee on legal aspects of bank frauds, banks were advised to take various preventive steps *viz.* Development of Best Practice Code (BPC), System of internalization of BPC, strengthening internal checks and internal controls and introducing Legal Compliance Audit.

(v) As the frauds in the area of housing loans were on the increase, RBI had issued several circulars including steps to be taken by banks to prevent such frauds, such as conduct of due diligence of borrowers/builders, scrutiny of documents by legal experts, verification of identity of the borrowers, multi layered decision making process, pre-sanction visit to a project site and strict post disbursement supervision etc.

(vi) All the banks which had financed a borrower under multiple banking arrangement have been advised to take co-ordinated action, based on commonly agreed strategy, for legal/criminal actions, follow up for recovery, exchange of details of *modus operandi*, achieving consistency in data/information on frauds reported to Reserve Bank of India. The bank which detects a fraud is required to immediately share the details with all other banks in the multiple banking arrangements.

(vii) In order to make the third parties such as builders, warehouse/cold storage owners, motor vehicle/tractor dealers, travel agents etc. and professionals such as architects, valuers chartered accountants, advocates, etc. accountable who have played a vital role in credit sanction/disbursement or facilitated the perpetration of frauds, banks have been advised to report to Indian Banks Association (IBA) the details of such third parties, including professionals involved in frauds. IBA in turn will prepare caution lists of such parties for circulation among the banks.

Unified tax system

1834. SHRI TARIQ ANWAR: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that there is need for change of Central as well as State indirect tax with a unified tax system in the whole country;

(b) if so, how much time it will take for its implementation;

(c) whether State Governments are ready for this change; and

(d) if not, what are the steps Government is taking to safeguard the interests of State Governments?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Yes, Sir. In order to do away with multiple taxation and remove cascading effect of tax from the prices of goods and services, a need was felt to rationalize the Central as well as States' indirect taxes. Accordingly, the Government had announced in the budget speech of 2006-2007, its policy intent to introduce a unified tax system in the country in the form of Goods and Services Tax (GST) with effect from 01 April, 2010. The Central Government and the Empowered Committee of State Finance Ministers (EC) are jointly working for finalizing the design and a roadmap of introduction of GST accordingly.

(c) All State Governments are represented on the Empowered Committee of State Finance Ministers (EC), which is presently working out the design and procedural details of the GST model as well as a roadmap for its implementation on the basis of extensive consultations among States, so that their interests are also accounted for while adopting the GST in the country.

(d) Does not arise.

Rural development projects in Uttar Pradesh

1835. SHRI KAMAL AKHTAR:
SHRI NAND KISHORE YADAV:

Will the Minister of RURAL DEVELOPMENT be pleased to state:

(a) the total amount released by his Ministry to Uttar Pradesh during last three years, scheme-wise and year-wise; and

(b) the details of utilization of Central fund in Uttar Pradesh for various schemes of rural development during last three years, scheme-wise, year-wise and district-wise?